

ASX ANNOUNCEMENT
ECS Botanics Holdings Ltd (ASX:ECS)
22 October 2021



September 2021 Quarterly Activities Report

- Receipts from customers of \$1,059,000 – up 70% on previous quarter (Q4 FY2021: \$623,000)
- Revenue increased significantly to \$905,000 – up 124% on last quarter (Q4 FY2021 \$403,000) and 520% on previous corresponding period (Q1 FY2021: \$146,000)
- Record result underpinned by rapid growth of domestic medicinal cannabis sales and hemp products
- Production scaled up significantly to meet growing demand – manufacture of medicinal cannabis oil increased from 3,000 to 15,000 units
- Production of medicinal cannabis inventory to fulfil purchase orders required for delivery in current quarter
- Strong operational progress continued – five-year \$4.5m sales contract secured with Polish company for GMP grade medicinal cannabis products
- Expansion into New Zealand commenced following \$1.75m sales agreement with one of the country's largest cannabis distributors
- Rolling \$410,000 one year sales contract with Canngea underpinning additional domestic revenue
- Second major Australian retailer to stock 250ml Extra Virgin Tasmanian Hemp Seed Oil product following agreement with Coles
- Industry leading advisory board established – allows ECS to leverage significant member experience to drive growth, quality and ESG initiatives in cannabis production
- Expansion of Victoria cultivation nearing completion and preparation for maiden November planting in Tasmania underway
- Australia's largest harvest forecast with permit to grow 4,000kg of medicinal cannabis

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis and hemp company, is pleased to provide an update on activities for the period ended 30 September 2021 (the "quarter").

Demand continues to build for ECS medicinal cannabis and hemp products. The Company's B2B, farm to pharma business grew rapidly and ECS witnessed stronger than anticipated demand from existing customers as the Australian market for medicinal cannabis grew at a record pace, especially for dry flower.

Operational Overview:

The Company made considerable progress during the period, securing a five-year contract with Polish company Alivio Spolka ZO.O for the supply of medicinal cannabis products which will generate at least \$4.5m in revenue. Under the agreement, ECS will provide the group with a minimum of \$0.9m of GMP grade medicinal cannabis products per annum. The contract will provide consistent sales revenue and highlights the growing international demand for ECS' leading products.



ECS entered a four-year, \$1.75m contract with one of New Zealand's largest cannabis distribution companies, MW Pharma Limited. The agreement allows ECS to supply MW Pharma Limited with a minimum of \$1.75m of GMP manufactured medicinal cannabis, which will be white labelled across the group's existing brands. MW Pharma will sell the product through its established relationships in New Zealand's pharmacy networks. The first-year minimum order value is \$250,000, followed by a minimum of \$500,000 for the following three years. First supply will commence following product registration in early 2022.

The Company signed a one-year rolling sales agreement with Australian cannabis company, Canngea Pty Ltd, valued at a minimum of \$410,000 per annum. Canngea was established in 2017 and is focused on distribution domestically and internationally. First dispatch of dry flower product and oils is expected to commence October.

ECS strengthened the distribution network for its 250ml Extra Virgin Tasmanian Hemp Seed Oil product via Coles stores nationwide. The product will be stocked in outlets around the country from November. The development follows direct discussions between the Company and Coles Group, and ECS' strategic decision to no longer use third party distributors to supply Coles and Woolworths. This has also benefited the Company by improving profit margins.

To meet growing demand, the Company continued the expansion of operations at its Victorian cultivation facility. Construction of an additional 2,000m² in protective cropping enclosures is well progressed.

New appointments:

ECS considerably broadened its management team during the quarter and established an industry leading advisory board to assist the Company with its ongoing growth trajectory.

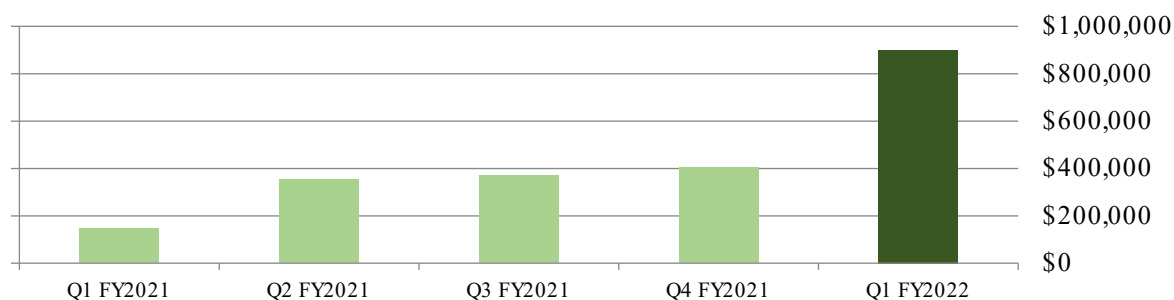
Appointments to the management team included two replacements, Nikita Soukhov as Farm Manager (Victoria), Angela Macquire as General Manager Operations, and two new hires Michael Clark as Head of European Operations and Blaise Bratter as Business Development Manager Oceania. Each individual is highly skilled in their respective field and has made valuable contributions to ECS in the past quarter.

ECS also appointed a high calibre advisory board which includes six industry leaders with extensive expertise in operational scale up, organic and regenerative farming, cannabis cultivation, pharmaceutical compliance and manufacturing.

The Company's advisory board members include David Bellamy, Dr James Connell, Tad Hussey, Vee Revithi, Graeme Sait and Trevor Schoerie. Profiles of each member can be found via the following link: <https://www.ecs-botanics.com/ecs-botanics-advisory-board/>

Financial overview:

Receipts from customers were \$1,059,000, a 70% increase on the previous quarter (Q4 FY2021: \$623,000). Revenue also increased by 124% on the previous quarter to \$905,000 (Q4 FY2021: \$403,000). In a major achievement, the significant growth in revenue for the quarter highlighted a 520% rise on the previous corresponding period (Q1 FY2021: \$146,000).



Graph: Total revenue achieved on a quarter-by-quarter basis (Q1 FY2021 – Q1 FY2022)

In addition to the considerable increase in revenue, ECS secured \$793,000 in medicinal cannabis purchase orders during the period. This further highlights ECS's position as an internationally recognised, large scale, low cost cultivator and manufacturer of medicinal cannabis.

Net cash used in operating activities was \$1,166,000, a slight rise on the last quarter (Q4 FY2021: \$996,000). The increase in net cash used in operating activities is partly due to higher manufacturing costs associated with increased production of medicinal cannabis oil products. During the quarter, ECS has scaled up the production of medicinal cannabis oil products from 3,000 units to over 15,000 units. The Company anticipates that sales of these newly produced units will occur during the current quarter.

Outlook:

Based on a strong and growing sales pipeline ECS has finalised plans to plant 4,000kg of medicinal cannabis in the coming months across its two sites. The additional protected cropping capacity in Victoria, to help meet the flower demand will be completed within the next four weeks. Land preparations are underway in Tasmania to plant the site's maiden medicinal cannabis crop in November. With the experience of two harvests behind us, we anticipate further improvement in quality and unit production costs.

The Victorian facility is focussing on THC production and manufacturing of dry flower (for inhalation) and biomass for extraction into oil formulations to cater for the Company's growing customer base in Australia and internationally. Tasmania's focus is large-scale CBD cultivation and processing and scale up of ECS' unique low cost production model.

The crop cycle is expected to be between three and four months, with current orders being supplied via stock in the Company's vault.

This season the Tasmanian facility will also be trialling a range of high CBD tri-crop varieties, potentially suitable for production of food, fibre and medicine from the one plant.

The outlook is favourable as Special Access Scheme Category B approvals continue to grow at record pace and requirements continue to be met for product registration in strict markets such as New Zealand, Germany and Poland. ECS continues to witness a strong demand and the

company is in negotiations with further domestic and international operators to progress sales opportunities.



Figure 1: Victoria - Additional protected cropping enclosures under construction





Figure 2: Tasmania - Irrigation instillation and cropping area preparation

Commentary:

Managing Director, Alex Keach said ‘ECS made exceptional progress in Q1 FY2022, highlighted by the significant increase in revenue, volume of medicinal cannabis sales and new contracts secured. This will lay a very strong foundation for the coming months and beyond.

“Over the recent months, we have continued to transition the focus of our food and wellness division onto higher value hemp products, and our strategic decision to undertake distribution internally has unlocked considerably higher margins for our sought after products.

“Forward order volumes are increasing, alongside inbound enquiries. We anticipate that revenue will continue to grow strongly throughout the remainder of FY22 and into FY23 as our production increases.”

The following table sets out the information as required by ASX Listing Rule 4.7C.3 regarding payments to related parties of the entity and their associates:

Payments to Related Parties & their Associates	Total Amount
Director Fees and Superannuation	\$141,011
Rental Office Payments	\$4,800
Company Secretarial, Registered Office and Financial Management Services	\$21,505
Consulting Fees & Other Services	\$60,932

-ENDS-

About ECS Botanics Holdings Ltd

ECS Botanics Holdings Ltd is a leading medicinal cannabis and hemp business. The company owns farms and medicinal cannabis facilities in Tasmania and Victoria for the cultivation, processing, and manufacturing of medicinal cannabis. ECS manufactures to EU GMP standards and also has the necessary licences to cultivate and manufacture medicinal cannabis for the wholesale extract, final dose and premium dry flower market. ECS cultivates hemp for the wholesale market and its retail food and wellness brand, while having obtained all the necessary licences to grow, supply and manufacture. ECS’ core focus is scale and low-cost production, without compromising quality.

For further information, please contact:

Alexander Keach, Managing Director

info@ecs-botanics.com

Authorised on behalf of ECS by Alex Keach, Managing Director

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ECS Botanics Holdings Limited

ABN

98 009 805 298

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,059	1,059
1.2 Payments for		
(a) research and development	(65)	(65)
(b) product manufacturing and operating costs	(1,122)	(1,122)
(c) advertising and marketing	(65)	(65)
(d) leased assets		
(e) staff costs	(641)	(641)
(f) administration and corporate costs	(343)	(343)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	10	10
1.9 Net cash from / (used in) operating activities	(1,166)	(1,166)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(532)	(532)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(532)	(532)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,215	4,215
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,165)	(1,165)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(532)	(532)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,518	2,518

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,518	4,215
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,518	4,215

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(228)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$201,944
	Financial management and Company secretary fee paid to Director related entity	\$21,505
	Office rent paid to Director related entity	\$4,800

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,165)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,518
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,518
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.2
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 22 October 2021

Authorised by: The Board of ECS Botanics Holdings Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.